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Proposed programme budget for the biennium 2016-2017*

Part X
Jointly financed administrative activities and special expenses

Section 32
Special expenses

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* A summary of the approved programme budget will be issued as A/70/6/Add.1.

** The present report does not contain annexes on organizational structure and post distribution for the biennium 2016-2017 and on outputs included in the biennium 2014-2015 not to be delivered in 2016-2017.

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Overview

Table 32.1 **Financial resources**

(United States dollars)

Appropriation for 2014-2015	143 660 200
Total resource change	–
Proposal of the Secretary-General for 2016-2017[a]	143 660 200

[a] At 2014-2015 revised rates.

32.1 Under section 32, Special expenses, resources are provided to cover specific expenditure requirements for: (a) after-service health insurance; (b) compensatory payments; (c) general insurance charges; (d) bank charges; and (e) pension payments to former Secretaries-General.

32.2 The overall resources proposed for the biennium 2016-2017 for this section amount to $143,660,200 before recosting.

32.3 The distribution of resources is reflected in table 32.2.

Table 32.2 **Financial resources by component**

(Thousands of United States dollars)

(1) *Regular budget*

				Resource changes								
		2012-2013 expenditure	*2014-2015 appropriation*	*Technical adjustment (delayed impact and non-recurrent, biennial provision of posts)*	*New mandate and inter-component changes*	*Further reductions in line with resolution 69/264*	*Efficiencies in line with resolution 69/264*	*Total*	*Percentage*	*Total before recosting*	*Recosting*	*2016-2017 estimate*
A	Contributions to after-service health insurance	108 479.1	131 122.8	–	–	–	–	–	–	131 122.8	9 584.6	140 707.4
B	Compensatory payments	2 742.2	2 841.5	–	–	–	–	–	–	2 841.5	–	2 841.5
C	General insurance	6 641.7	7 547.0	–	–	–	–	–	–	7 547.0	–	7 547.0
D	Bank charges	3 843.3	856.5	–	–	–	–	–	–	856.5	–	856.5
E	Pension payments to former Secretaries-General	1 279.0	1 292.4	–	–	–	–	–	–	1 292.4	–	1 292.4
	Subtotal	**122 985.2**	**143 660.2**	–	–	–	–	–	–	**143 660.2**	**9 584.6**	**153 244.8**

(2) *Other assessed and extrabudgetary*

	2012-2013 expenditure	*2014-2015 estimate*	*2016-2017 estimate*
Subtotal	**25 502.2**	**30 105.2**	**34 654.6**
Total	**148 487.4**	**173 765.4**	**187 899.4**

A. After-service health insurance

Resource requirements (before recosting): $131,122,800

Table 32.3 **Resource requirements: after-service health insurance**

	Resources (thousands of United States dollars)		*Posts*	
Category	*2014-2015*	*2016-2017 (before recosting)*	*2014-2015*	*2016-2017*
Regular budget				
Non-post	131 122.8	131 122.8	–	–
Subtotal	**131 122.8**	**131 122.8**	–	–
Other assessed and extrabudgetary	30 105.2	34 654.6	–	–
Total	**161 228.0**	**165 777.4**	–	–

32.4 The after-service health insurance programme extends health-care benefits under the United Nations insurance schemes to retirees and their eligible dependants. Coverage is provided on a shared-contribution basis in accordance with a decision taken by the General Assembly at its twenty-first session. Coverage is also provided to staff members whose appointments are terminated as a result of disability. In all cases, coverage is available only to those who are eligible to receive a periodic benefit from the United Nations Joint Staff Pension Fund or under the rules governing compensation for service-incurred death, injury or illness. In accordance with Assembly resolution 38/235, the maximum cost-sharing ratio is 2 to 1 between the organization and the participant.

32.5 By its resolution 40/258 A, the General Assembly decided to extend after-service health insurance coverage to former locally recruited staff who participated in the medical expense assistance plan under appendix E to the Staff Rules of the United Nations.

32.6 By its resolution 61/264, the General Assembly approved changes to the after-service health insurance provisions for new staff members recruited on or after 1 July 2007. Under the terms of that resolution, following retirement, staff members are eligible for cost-sharing of after-service coverage if they have participated in a United Nations system contributory health insurance plan for a minimum of 10 years at the time of retirement. Staff members recruited prior to 1 July 2007 who have participated in a United Nations contributory plan for at least five years are also eligible, provided that they pay the full premium for the period for which their participation falls short of the 10-year requirement for cost-shared participation.

32.7 In the biennium 2010-2011, the United Nations introduced a new requirement that all United States-based after-service health insurance participants enrol in Medicare Part B if eligible. This measure has helped to contain the premium costs of insurance plans administered at Headquarters during the succeeding bienniums, and it will continue to help contain the requirements for the biennium 2016-2017.

32.8 Since the inception of the after-service health insurance programme in the United Nations, the programme has grown in terms of both the number of participants and the related cost. Since 1999, the increase in enrolment has been steady and has demonstrated a tendency to accelerate, owing to the ageing population of subscribers.

32.9 The high level of medical inflation in the United States, especially in the New York area, drives prices for health services that underlie the premium rates applicable to the plans administered at

Headquarters. The premium projections for the United Nations Worldwide plan for non-United States-based retirees reflect the global nature of the plan and are sensitive to the volatility of the exchange rate of the United States dollar. In many locations, increases in the medical inflation rate outpace those in general inflation. Substantial increases in new active staff due to the expansion in peacekeeping activities have helped to contain premium increases in recent years. As staffing numbers stabilize or decrease, however, it is expected that costs will more closely follow medical inflation rates in the coming years. Although average premium costs per participant vary among different insurance plans and in terms of the costs experienced in different countries in the recent past, the overall market trends for medical insurance premiums have been upward.

32.10 The requirements in the amount of $131,122,800 (before recosting), at the maintenance level, are in line with General Assembly resolution 69/264. Increases in resource requirements are expected for the biennium 2016-2017, as a result of the anticipated increase in the number of participants in after-service health insurance. In this regard, actual expenditures will be presented in the context of performance reports for the biennium 2016-2017.

32.11 The General Assembly, in its resolution 64/241, requested the Secretary-General to submit to it at its sixty-seventh session a report on managing after-service health insurance liabilities, bearing in mind that the "pay-as-you-go" principle was one of the viable options. The Assembly also requested the Secretary-General to continue to validate the accrued liabilities with the figures audited by the Board of Auditors and to include this information and the outcome of the validation in the report requested. The report of the Secretary-General on managing after-service health insurance liabilities (A/68/353) was submitted to the Assembly at its sixty-eighth session. The Assembly, in its resolution 68/244, endorsed the recommendation of the Advisory Committee on Administrative and Budgetary Questions on the continuation of the pay-as-you-go approach to the funding of after-service health insurance liabilities. It also requested the Secretary-General to examine the option of broadening the mandate of the United Nations Joint Staff Pension Fund, to include the cost-effective, efficient and sustainable administration of after-service health insurance benefits, taking into account the advantages and disadvantages of this option, including its financial and legal implications, and to report thereon at the seventieth session of the Assembly, as well as to undertake a survey of current health-care plans for active and retired staff within the United Nations system, to explore all options to increase efficiency and contain costs and to report thereon at its seventieth session.

B. Compensatory payments

Resource requirements (before recosting): $2,841,500

Table 32.4 **Resource requirements: compensatory payments**

	Resources (thousands of United States dollars)		*Posts*	
Category	*2014-2015*	*2016-2017 (before recosting)*	*2014-2015*	*2016-2017*
Regular budget				
Non-post	2 841.5	2 841.5	–	–
Total	**2 841.5**	**2 841.5**	**–**	**–**

32.12 The requirements under compensatory payments provide for compensation to members of commissions, committees or similar United Nations bodies in the event of death, injury or illness attributable to service with the United Nations. The responsibilities of the United Nations in this

area, as well as the rules governing compensatory payments, are detailed in Secretary-General's bulletin ST/SGB/103/Rev.1.

32.13 Compensation is also provided to staff members or their dependants in the event of death, injury or illness attributable to the performance by the staff member of official duties on behalf of the United Nations. The compensation is governed by the specific rules under appendix D to the Staff Rules (ST/SGB/Staff Rules/Appendix D/Rev.1/Amend.1).

32.14 The costs incurred on both those accounts may include death annuities, monthly benefits for incapacity resulting from injury or illness, lump-sum indemnities for permanent disabilities and medical, hospital and other related expenses.

32.15 The requirements in the amount of $2,841,500, at the maintenance level, are in line with General Assembly resolution 69/264. Historical expenditure patterns during the period from 2010 to 2014 indicate a slight upward trend in costs, which suggests the potential for increased resource requirements for the biennium 2016-2017. In this regard, actual expenditures will be presented in the context of performance reports for the biennium 2016-2017.

32.16 The Secretariat will present to the General Assembly a revised version of appendix D to the Staff Rules, governing such compensation payments. At this stage, if approved, it is expected that the impact of the changes on the actual expenditures for the biennium 2016-2017 will be negligible and that a slight impact will begin to be noticed in the following biennium, 2018-2019.

C. General insurance

Resource requirements (before recosting): $7,547,000

Table 32.5 **Resource requirements: general insurance**

	Resources (thousands of United States dollars)		*Posts*	
Category	*2014-2015*	*2016-2017 (before recosting)*	*2014-2015*	*2016-2017*
Regular budget				
Non-post	7 547.0	7 547.0	–	–
Total	**7 547.0**	**7 547.0**	**–**	**–**

32.17 The provisions under general insurance relate mainly to insurance on the buildings and property at United Nations Headquarters as well as at Addis Ababa (the Economic Commission for Africa), Santiago (the Economic Commission for Latin America and the Caribbean) and Beirut (the Economic and Social Commission for Western Asia). The United Nations Offices at Geneva, Vienna and Nairobi, as well as at Bangkok (the Economic and Social Commission for Asia and the Pacific), separately maintain property and liability coverage for their offices locally. General insurance also covers automobile liability insurance at Headquarters, liability insurance for aircraft used for travel by the Secretary-General but not owned by the United Nations, and insurance for other air travel of staff. In addition, in accordance with General Assembly resolution 41/210, the United Nations has established a self-insurance plan for general liability risk in respect of acts occurring within the Headquarters district in New York. The provisions also cover a stand-alone insurance policy for acts of terrorism, which, following the events of 11 September 2001, was established effective 2003 as a result of limitations in the scope of insurance coverage for risks, such as acts of terrorism, that would normally have been covered under the general policies.

32.18 Insurance premiums have remained stable for the United Nations in recent years, despite overall unfavourable insurance markets, as a result of robust outreach initiatives to encourage additional markets to bid for coverage of United Nations risks. Some limitations in the scope of insurance coverage, however, continue to be prevalent. Two such examples are the flood coverage restrictions introduced in the wake of storm Sandy in New York and the continued requirement for specific insurance for acts of terrorism that were covered under the general policies prior to the events of 11 September 2001. Actual premiums will also be driven by the United Nations claims experience in 2015 and by the general state of insurance markets at the time of the renewal of the policy, which may be affected by political events, natural catastrophes or regulatory requirements, and insurers' perceptions of specific risks related to the United Nations.

32.19 An increase in property insurance levels and costs for Headquarters was originally expected for the biennium 2016-2017. The last remaining buildings under renovation, which were covered by a separate builder's-risk property insurance policy whose cost was borne by the capital master plan, will again be covered by the property insurance policy. Furthermore, the potential value of those buildings in terms of coverage has increased by almost 50 per cent compared with their pre-capital master plan insured value, which made it necessary to seek a higher policy limit to reflect that increase. In addition, the 2012 flooding of the third basement of the Secretariat Building in New York as a result of storm Sandy generated a significantly unfavourable loss ratio with respect to the policy (as reflected in the increased resource requirements for the biennium 2014-2015), which could have continued to contribute to a higher premium.

32.20 However, following a robust outreach initiative aimed at worldwide insurance markets, the Secretariat was successful in showcasing the latest developments in advanced safety and security enhancements and its successful implementation of the lessons learned from storm Sandy. As a result, the Secretariat received highly competitive quotes from several markets and locked in those favourable rates for a period of three years, until February 2018. Previously, the United Nations property insurance renewals had been limited to a one-year period. As a result, the costs of general insurance are expected to remain at the maintenance level during the biennium 2016-2017.

D. Bank charges

Resource requirements (before recosting): $856,500

Table 32.6 **Resource requirements: bank charges**

	Resources (thousands of United States dollars)		*Posts*	
Category	*2014-2015*	*2016-2017 (before recosting)*	*2014-2015*	*2016-2017*
Regular budget				
Non-post	856.5	856.5	–	–
Total	**856.5**	**856.5**	**–**	**–**

32.21 The requirements in the amount of $856,500 would provide for fees for bank-account maintenance, electronic fund transfers and other fees for services provided by banks. The proposed resource requirements are at the maintenance level, in line with General Assembly resolution 69/264. Such costs are more than offset by interest income earned on cash balances, which are budgeted under income section 2, General income.

E. Pension payments to former Secretaries-General

Resource requirements (before recosting): $1,292,400

Table 32.7 **Resource requirements: pension payments to former Secretaries-General**

	Resources (thousands of United States dollars)		*Posts*	
Category	*2014-2015*	*2016-2017 (before recosting)*	*2014-2015*	*2016-2017*
Regular budget				
Non-post	1 292.4	1 292.4	–	–
Total	**1 292.4**	**1 292.4**	**–**	**–**

32.22 The requirements in the amount of $1,292,400, at the maintenance level, are in line with General Assembly resolution 69/264. Increases in resource requirements are anticipated, as the retirement allowances should provide for three former Secretaries-General and the widow of one former Secretary-General at the half rate for the entire biennium and one additional former Secretary-General for the year 2017, based on the maximum retirement benefit payable as from 1 February 2013. Actual expenditures will be presented in the context of performance reports for the biennium 2016-2017.

Annex

Summary of follow-up action taken to implement relevant recommendations of the oversight bodies

Brief description of the recommendation	*Action taken to implement the recommendation*
Report of the Board of Auditors (A/59/5 (Vol. I), chap. II)	
The Board of Auditors recommended that the United Nations review the funding mechanism for end-of-service and post-retirement benefit liabilities (paras. 15 (b) and 47).	Paragraph 32.11 of the present report updates information contained in the annex to document A/68/6 (Sect. 32).